

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1300 - SB 1157

April 16, 2019

**SUMMARY OF ORIGINAL BILL:** Authorizes captive insurance companies to file one change of business plan in a calendar year to the Department of Commerce and Insurance (DCI) without paying the \$400 required fee. Authorizes the Commissioner of DCI to waive the regulation that captive insurance companies must maintain their principal place of business in this state. Authorizes the Commissioner to issue a provisional license to a captive insurance company applicant for a period of no more than 60 days, and extend under certain conditions, if he deems the public interest will be served.

Authorizes a captive insurance company attempting to pay dividends to shareholders or make a material change to its initially filed plan of operation to do so within five business days of the date of notice to the Department if the request is not disapproved in that timeframe. Establishes that dividend payment regulations do not apply to risk retention groups. Authorizes, with permission of the Commissioner, a captive insurance company to hold required surplus funds, receive customer premium payments, and make claim payments in foreign currency, foreign securities, and cryptocurrency.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$5,600

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures - \$5,600

**SUMMARY OF AMENDMENTS (005706, 008216):** Amendment 005706 deletes and rewrites all language after the enacting clause such that the substantive changes are as follows: (1) deletes provision of the original bill that authorizes the Commissioner to waive the regulation that captive insurance companies must maintain their principal place of business in the state; (2) deletes provision of the original bill that authorizes the Commissioner to issue a provisional license to a captive insurance company applicant for a period of no more than 60 days, and extend under certain conditions, if the Commissioner deems the public interest will be served; (3) requires a captive insurance company using marketable securities to satisfy capital and surplus requirements to only hold bonds which have been included in the three highest grades by any of the recognized security ratings firms and file a certificate of such securities with the Commissioner for approval; (4) deletes provision of the original bill that authorizes a captive

HB 1300 - SB 1157

insurance company attempting to pay dividends to shareholders or make a material change to its initially filed plan of operation to do so within five business days of the date of notice to the Department, if the request is not disapproved in that timeframe; and (5) deletes authorization of the original bill to hold required surplus funds, receive, customer premium payments, or make claim payments in cryptocurrency.

Amendment 008216 deletes the provision from 005076 that authorized captive insurance companies to file one material change of business plan without paying the \$400 fee. Deletes the provision from 005706 establishing that the requirement to file a change of business plan does not apply to a protected cell captive insurance company that is creating a new unincorporated or incorporated protected cell.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

### **NOT SIGNIFICANT**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. §56-4-101(a)(8), captive insurance companies must pay \$400 for each change of business plan or change in ownership reviewed by DCI.
- The proposed legislation impacts private businesses and will have no significant fiscal impact to state or local government.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENTS:**

### **NOT SIGNIFICANT**

Assumption for the bill as amended:

- The proposed legislation alters certain existing requirements for captive insurance companies and is not estimated to cause a significant fiscal impact to jobs or commerce in Tennessee.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/agr